

MARTIN D. SINGER (BAR NO. 78166)

mdsinger@lavelysinger.com

DAVID B. JONELIS (BAR NO. 265235)

lmolnar@lavelysinger.com

LINDSAY D. MOLNAR (BAR NO. 275156)

lmolnar@lavelysinger.com

LAVELY & SINGER

PROFESSIONAL CORPORATION

2049 Century Park East, Suite 2400

Los Angeles, California 90067-2906

Telephone: (310) 556-3501

Facsimile: (310) 556-3615

Attorneys for Plaintiff GRUMPY CAT LIMITED

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA - SOUTHERN DIVISION

GRUMPY CAT LIMITED, an Ohio) Case No.: 8:15-cv-02063

Limited Liability Entity,)

Plaintiff,)

v.)

GRENADA BEVERAGE LLC, a)

California Limited Liability)

Company; PAUL SANDFORD, an)

individual; NICK SANDFORD, an)

individual; and DOES 1-50,)

Defendants.)

) Scheduling Conference:

) April 25, 2016 at 8:30 AM

Pursuant to Federal Rules of Civil Procedure Rule 26(f), Central District of California Local Rule 26-1, and this Court's Order Setting Scheduling Conference, Plaintiff GRUMPY CAT LIMITED ("Plaintiff"), on the one hand, and Defendants GRENADE BEVERAGE LLC, PAUL SANDFORD, and NICK SANDFORD (collectively, "Defendants"), on the other hand, (collectively, the "Parties") submit this joint report following the conference of counsel required by Rule 26(f) of the Federal Rules of Civil Procedure, which was held telephonically on April 4, 2016.

TOPICS SET FORTH IN THIS COURT'S ORDER
SETTING SCHEDULING CONFERENCE

1) Short Factual Summary of the Case and of Claims and Defenses

Plaintiff is suing for (1) Copyright Infringement, (2) Trademark Infringement, (3) False Designation of Origin, (4) Trademark Dilution, (5) Cybersquatting, (6) Breach of Contract, and (7) Accounting. Defendants deny wrongdoing and contend that they are not the real party in interest. Instead, Grumpy Beverage, LLC is the real party in interest and will be filing a motion to interplead as a defendant and for leave to file counterclaims against Plaintiff.

Plaintiff's Position

Although alleged as seven separate causes of action, Plaintiff's position could not be more simple or straightforward. In short, this dispute arises out of Defendant Grenade Beverage's material breaches of a clearly-worded license agreement that it entered into with Plaintiff (the lawful and exclusive owner of the copyrights and trademarks in and to the famous and valuable "Grumpy Cat" brand), pursuant to which Grenade (which is owned and operated by Defendants Paul and Nick Sandford) was granted limited rights to use the "Grumpy Cat" intellectual property in connection with

1 a line of “Grumpy Cat”-branded coffee beverages. Because these breaches include
2 Defendants’ unauthorized use of Plaintiff’s intellectual property, they also constitute
3 trademark and copyright infringement.

4 Of relevance to this dispute, because Plaintiff is understandably particular about
5 how its intellectual property is exploited, its license agreement with Grenade mandated
6 that Grenade obtain Plaintiff’s express approval before creating and/or exploiting any
7 “Grumpy Cat”-branded products. As part of its compensation, Plaintiff was also to be
8 provided 10% equity interest in a to-be-formed separate entity. The license agreement
9 required that Grenade likewise set up a California limited liability company (to be
10 called, fittingly, Grumpy Beverage, LLC) in order to handle the exploitation of the
11 “Grumpy Cat”-branded beverages created under the agreement. The license
12 agreement further required that Plaintiff be involved in the good-faith negotiation of
13 the LLC’s operating agreement. Finally, the license agreement required that Grenade
14 provide detailed monthly accountings to Plaintiff concerning any sales of approved
15 “Grumpy Cat” coffee products.

16 In material breach of the license agreement, Grenade (acting through Defendants
17 Paul and Nick Sandford), *inter alia*, (1) created and exploited a line of ground coffee
18 products that was never approved by Plaintiff (to the contrary, Plaintiff repeatedly
19 expressed its objection to such exploitation), (2) failed to set up a California LLC
20 called “Grumpy Beverage, LLC,” instead secretly forming a Texas LLC without
21 Plaintiff’s knowledge or participation, (3) failed to allow Plaintiff to participate in the
22 negotiation of Grumpy Beverage, LLC’s operating agreement (indeed, Plaintiff was
23 never even provided with a copy of the operating agreement), and (4) failed to account
24 to Plaintiff for the sales of the iced-coffee product that Plaintiff had actually
25 approved.

26 Moreover, without Plaintiff’s authorization, Defendants obtained the rights and
27 ownership to the internet domain and website www.grumpycat.com (which name
28 obviously has nothing to do with Defendant’s coffee products and which instead

1 broadly describes Plaintiff's entire brand) and have been using that domain to exploit
2 the very "Grumpy Cat"-branded products that Plaintiff never approved in the first
3 place under the license agreement.

4 Based on Defendants' unauthorized use of Plaintiff's intellectual property, they
5 are liable to Plaintiff for copyright and trademark infringement. Moreover, based on
6 their inexplicable and unauthorized registration and use of the www.grumpycat.com
7 website, Defendants are liable to Plaintiff for cybersquatting.

8 9 *Defendants' Position*

10 The agreement at the heart of this case is anything but a clearly worded license
11 agreement setting out a traditional licensor/licensee relationship. In a traditional
12 licensor/licensee relationship, one party owns intellectual property (licensor) and
13 allows another to use the same (licensee) in exchange for payment (typically in the
14 form of a percentage royalty). The only involvement of the intellectual property owner
15 (licensor) in the typical scenarios is generally limited to that of oversight or quality
16 control.

17 The agreement at issue in this lawsuit is markedly different in that it called for
18 the formation of a separate legal entity (i.e., "Grumpy Beverage, LLC") whereupon
19 Plaintiff would be partial owner of the newly formed business. The newly formed
20 business would then create a coffee beverage business complete with distinctive
21 product names, artwork and packaging. When the newly-formed company was
22 established, Grumpy Beverage, LLC held up its end of the bargain by creating
23 distinctive product names such as "GRUMPPUCCINO", distinctive artwork such as
24 the cartoon image of a cat (referred to as the "Grumpy Cat Cartoon Image"), and
25 distinctive packaging with highly identifiable trade dress.

26 For its part, Plaintiff did nothing but make numerous material representations to
27 induce the formation of Grumpy Beverage, LLC. Despite Grumpy Beverage, LLC's
28 endeavors and efforts, Plaintiff failed to hold up its end of the bargain entirely. Indeed,

1 after Plaintiff received a \$150,000 advance payment, Plaintiff refused to provide any
 2 continuing support whatsoever, failed to cooperate with Grumpy Beverage, LLC, and
 3 was completely obstructive in all respects of the operation of the business and
 4 marketing efforts. Thus, this dispute involves a contractual arrangement for a business
 5 venture that was at best breached by the Plaintiff and at worst was induced by the
 6 Plaintiff through intentional omission and misrepresentation of material facts.

7 Grumpy Beverage, LLC is the real party in interest and lawful and exclusive
 8 owner of the grumpycat.com and drinkgrumpycat.com domain names, the copyright in
 9 and to the “Grumpy Cat Cartoon Image”, the GRUMPPUCCINO trademark, and the
 10 trade dress corresponding to the coffee lines. By refusing to perform obligations under
 11 the contract and refusing to approve Grumpy Beverage’s requests without justification,
 12 Plaintiff is in breach of contract and in breach of the covenant of fair dealing.

13 Notwithstanding the foregoing, and despite the fact that Plaintiff is presently
 14 engaged in litigation with Grumpy Beverage, LLC before the U.S. Patent and
 15 Trademark Office, Trademark Trial and Appeal Board, Plaintiff has intentionally
 16 omitted Grumpy Beverage, LLC as a Defendant in these proceedings. Moreover, this
 17 is the case even though Grumpy Beverage, LLC is the beneficial holder of the domain
 18 names and many of the intellectual property assets at issue in these proceedings.
 19 Accordingly, Grumpy Beverage, LLC will be filing a motion to intervene as a
 20 defendant in this case and for leave to file counterclaims against Plaintiff.

21 22 **2) Short Synopsis of the Principal Issues in the Case**

23 24 **Plaintiff’s Position**

25 Again, Plaintiff submits that the issues in this case are simple and
 26 straightforward. More specifically, this case effectively rises and falls on the
 27 determination of (1) whether Defendants had the right to create and exploit the line of
 28 “Grumpy Cat”-branded ground coffee products that Plaintiff contends it never

1 approved, (2) whether Defendants' formation of a Texas, rather than California,
2 limited liability company called "Grumpy Beverage, LLC" was unlawful and a breach
3 of the subject license agreement with Plaintiff, (3) whether Defendants had the right to
4 obtain ownership of the internet domain and website www.grumpycat.com, and (4)
5 whether Defendants properly accounted to Plaintiff under the license agreement.

6
7 **Defendants' Position**

8 Defendants submit that the real party in interest for the bulk of the claims is
9 Grumpy Beverage, LLC. Accordingly, based on Plaintiff's actions, Plaintiff is liable
10 to Grumpy Beverage, LLC for 1) breach of contract, 2) breach of the covenant of good
11 faith and fair dealing, 3) intentional misrepresentation and/or concealment, 4) reverse
12 domain hi-jacking, and Grumpy Beverage, LLC is entitled to seek declaratory
13 judgment of rights to ownership of the domain names at issue herein, the
14 GRUMPPUCCINO trademark, the Grumpy Cat Cartoon Image, and the trade dress
15 pertaining to the coffee beverage lines.

16
17 **3) Statement of Whether Parties Are Likely To Be Added and/or Whether**
18 **The Pleadings Are Likely To Be Amended**

19
20 **Plaintiff's Position**

21 Plaintiff contends that all necessary and proper parties have already been named
22 and appeared in this lawsuit. Although Defendants apparently contend that the Texas
23 entity Grumpy Beverage, LLC should be added as a party, it is Plaintiff's position that
24 such entity is irrelevant to this action, as its creation was never authorized under the
25 subject license agreement between the parties. Moreover, to the extent that Grumpy
26 Beverage, LLC was involved in the unlawful registration of the www.grumpycat.com
27 website (it is unclear since the registration information for that domain is not publicly
28 available), Plaintiff contends that it was nevertheless Paul and Nick Sanford who

1 directly caused the alleged cybersquatting to transpire, and therefore they (rather than
2 Grumpy Beverage, LLC) are the culpable parties.

3
4 **Defendants' Position**

5 Grumpy Beverage, LLC is the real party in interest and is the owner of some of
6 the intellectual property assets at issue in this lawsuit. Grumpy Beverage, LLC
7 anticipates filing a motion to intervene and for leave to file counterclaims against
8 Plaintiff Grumpy Cat Limited.

9
10 **4) Statement As To Issues Which Any Party Believes May Be Determined By**
11 **Motion**

12 The parties each anticipate filing a motion for partial and/or total summary
13 judgment after some discovery has been conducted. Plaintiff believes that all of its
14 claims may be disposed of on summary judgment based on the undisputable facts that
15 will be substantiated through discovery.

16
17 **5) Statement of What Settlement Discussions Have Occurred**

18 The parties, through their counsel, have generally discussed the prospect of
19 settlement and are in agreement that a settlement would likely be in everyone's best
20 interest. However, the parties also agree that productive settlement conversations
21 cannot take place until, at the earliest, after documents have been produced through
22 initial disclosures. As to the recommended settlement procedure, the parties currently
23 anticipate that ADR Procedure No. 3 (private mediation) would be most appropriate in
24 this matter.

25
26 **6) Discovery Plan**

27 The Parties anticipate utilizing all discovery allowed under Rule 26, including
28 depositions, requests for documents, interrogatories, and requests for admission. The

Parties do not see a need to make any changes in disclosures under Rule 26(a) of the Federal Rules of Civil Procedure, other than the date by which the Rule 26(a) disclosures will be made – which, for the sake of efficiency, should take place sometime in June 2016 once any additional claims have been put at issue – and discovery should not be conducted in phases or otherwise limited.

7) Statement of Whether Trial Will Be by Jury or to the Court and a Realistic Estimated Length of Trial

The parties would request a five (5) day timed jury trial, excluding jury selection, opening statement and closing argument.

8) Proposed Pre-Trial and Trial Dates

- a. Discovery Cut-off Date: April, 3, 2017
- b. Final Motion Filing Cut-off Date: April, 10, 2017
- c. Final Pretrial Conference: Monday, June 12, 2017
- d. Trial Date: Tuesday, June 27, 2017

Dated: April 11, 2016

Respectfully submitted,

LAVELY & SINGER, PC

By: /s/ David B. Jonelis
David B. Jonelis

David B. Jonelis, State Bar No. 265235
Email: djonelis@lavelysinger.com
2049 Century Park East, Suite 2400
Los Angeles, California 90067
Telephone: (310) 556-3501
Facsimile: (310) 556-3615

Attorneys for Plaintiff
GRUMPY CAT LIMITED

1 Dated: April 11, 2016

THE KINDER LAW GROUP

2 By: /s/ Brian Kinder

3 Brian Kinder

4 Brian Kinder, State Bar No. 212332

5 Email: bkinder@tklglaw.com

6 19200 Von Karman, Fourth Floor

7 Irvine, California 92612

8 Telephone: (949) 216-3070

9 Facsimile: (949) 216-3074

10 Attorneys for Defendants

11 PAUL SANDFORD, NICK SANDFORD,

12 and GRENADE BEVERAGE LLC

Attestation Regarding Signatures

I, David B. Jonelis, attest that all signatories listed, and on whose behalf the filing is submitted, concur in the filing's content and have authorized the filing.

Dated: April 11, 2016

By: /s/ David B. Jonelis

David B. Jonelis